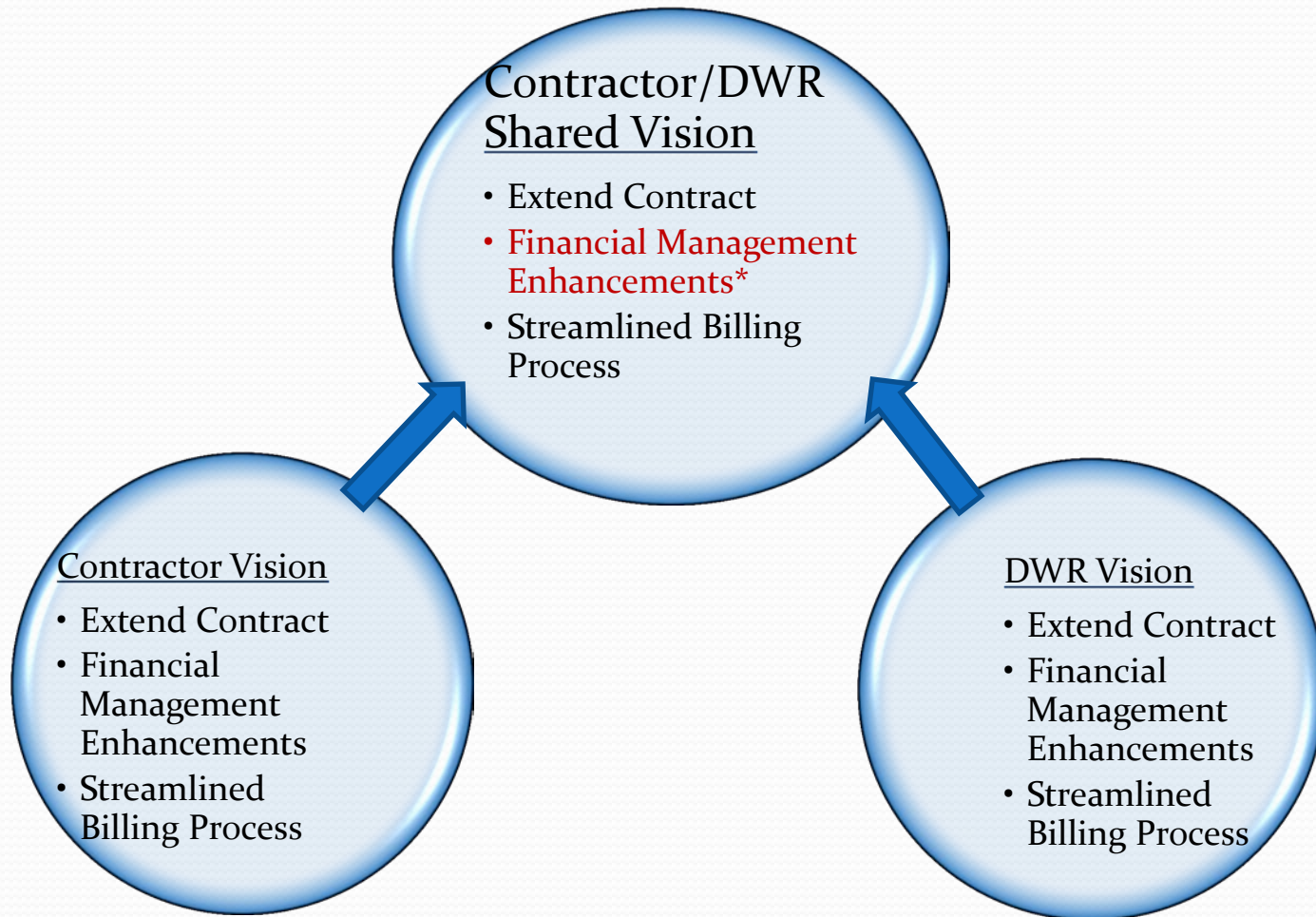


# Contractors Vision for Financial Enhancements

Water Supply Contract Extension  
Negotiation Meeting #4  
September 17, 2013  
10:00 a.m. – 3:00 p.m.  
Holiday Inn  
300 J Street  
Sacramento, CA 95814

# We Have A Shared Vision



Discussions have been so far down in the details that it appears we have forgotten what we are trying to accomplish and why

# Negotiation process is bringing the Contractors and DWR proposals closer together

- There is broad agreement on Objective 3, Freeze-Go
- There is also broad agreement on Financial Management Enhancements, including the reserves and the level of reserves
  - Remaining issues are focused primarily on how they are funded, approved and adjusted, both now and in the future, as well as the “flow of funds”
  - The Contractors believe a Finance Committee with approval authority can be used to bridge the gap on funding issues
- The Contractors are prepared to agree with DWR’s last proposal to handle Financial Management Enhancements within the context of a Charter for the Finance Committee, of which both DWR and the Contractors must approve



# Fundamental to Contractors agreement on reserves is the enactment of Financial Management Enhancements

- Rate of funding is contingent on milestones being met
  - Execution of the SWRDS Financial Steering Committee Charter approved by both the Contractors and DWR
  - Director approval of SWRDS organization structure, with Committee input
  - Financial Steering Committee approval of the Work Plan developed by the SWRDS CFO
  - Implementation of the Work Plan
- Future adjustments to the GOA or the SSA to be approved by the SWRDS Financial Steering Committee, including a general operating reserve policy

# Contractors Flow of Funds prioritizes funding of reserves and rate reductions above Director's Discretion

## Flow of Funds

Current	DWR Counter-Proposal	SWP Contractor Fourth Offer
1. Revenue Bond Debt Service	1. Revenue Bond Debt Service	1. Revenue Bond Debt Service
2. Operations and Maintenance	2. Operations and Maintenance	2. Operations and Maintenance
3. G.O. Bond Debt Service	3. G.O. Bond Debt Service	3. G.O. Bond Debt Service
4. Capital Facilities Account (\$4.5 M)	4. Capital Facilities Account (\$4.5 M)	(Eliminate Cap. Facilities Acct) (line 96)
5. Rate Management (\$40.5 M) (ends in 2035)	5. Rate Management (\$40.5 M) (ends in 2035)	4. Rate Management (\$40.5, ends in 2035)
6. Additional System Purposes		
7. "Owed" Rate Management	<b>Director's Discretion</b>	<b>Subsequent Priorities</b>
8. Increases in the GOA (up to \$32 M)	6a. Increase GOA (90 days/\$150 M)	6. GOA (up to \$150 M) (line 95)
9. Additional Rate Management	6b. SWRDS Support Account (\$60 M)	7. SWRDS Support Account (\$60 M) (line 98)
	6c. SWRDS Reinvestment Account	8a. % SWRDS Reinvestment Account (line 99)
	6d. Additional Systems Purposes	8b. % "Owed" Rate Management (line 100-104)

# DWR's programs encompass much more than the State Water Project

## Department of Water Resources

10 – Continuing Formulation of the California Water Plan

20 – Implementation of the State Water Resources Development System

30 – Public Safety and Prevention of Damages

35- Central Valley Flood Protection Board

40 - Services

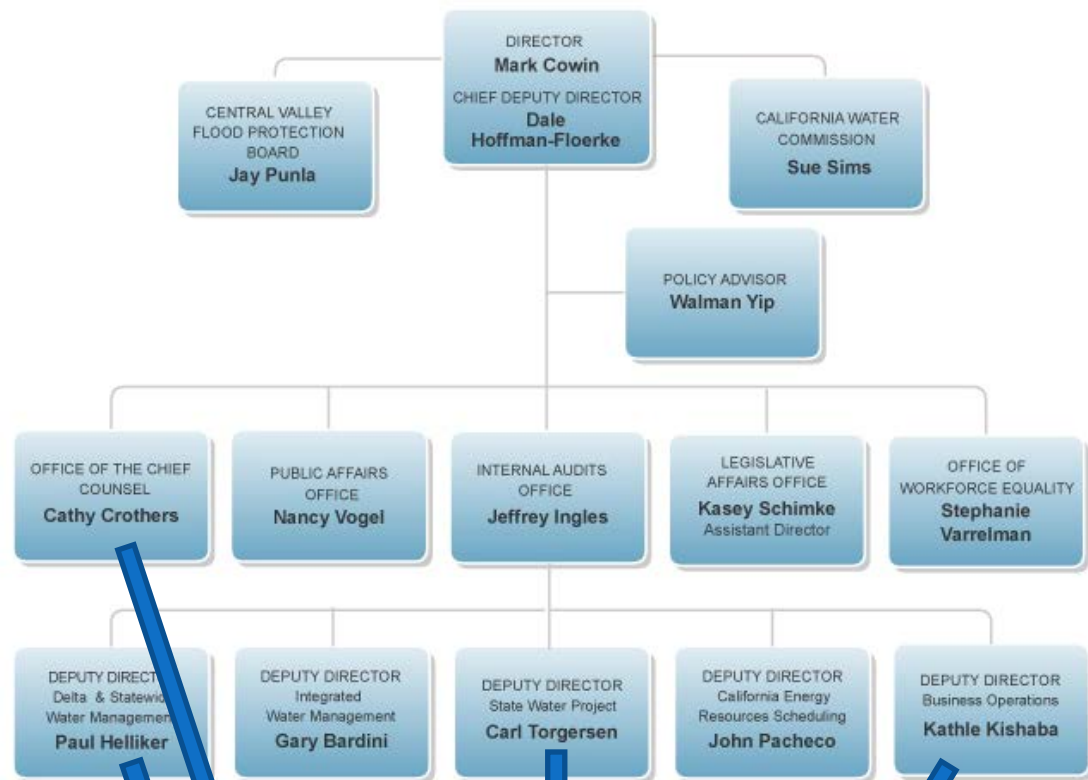
45 – California Energy Resources Scheduling

50 – Management and Administration

99 - Loan Repayment Program



# The Contractors vision is to have a consolidated State Water Resources Development System Financial Organization



What is missing is one single division responsible for ALL aspects of the State Water Project, including financial

## State Water Project

- Finance
- Operations & Maintenance
- Engineering
- Finance & Administration

# Improved and focused attention to the State Water Project will be beneficial to all

- It will isolate financial and operational goals from the rest of DWR so that measurements of success can be more transparent and easily communicated
- By operating as a separate utility within DWR, cash flows of the SWP system will become more transparent and understood
- Coordinated effort on reporting will provide value added information for Contractors long-term planning needs and eliminate unnecessary reporting currently being provided by DWR





# Questions?